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RECORDATION NO. 9369 Filed & Recorded

MAY 10 1978 -9 52 AM

INTERSTATE COMMERCE COMMISSION

8-1301010

May 9, 1978

9369-A  
RECORDATION NO. Filed & Recorded

MAY 10 1978 -9 52 AM

INTERSTATE COMMERCE COMMISSION

MAY 10 1978  
Date  
Fee \$ 1.50  
ICC Washington, D. C.

HAND-DELIVER

Mr. H. G. Homme, Jr., Acting Secretary  
Interstate Commerce Commission  
12th and Constitution Avenue  
Washington, D. C. 20423

9369-B  
RECORDATION NO. Filed & Recorded

MAY 10 1978 -9 52 AM

INTERSTATE COMMERCE COMMISSION

Dear Mr. Homme:

Pursuant to Section 20c of the Interstate Commerce Act and as provided by Volume 49 Code of Federal Regulations Sections 1116.1 through 1116.4 we present the following documents for recordation:

1. Lease of Equipment, dated as of May 1, 1977.

Lessor: Michigan National Leasing Corporation  
38200 West Ten Mile Road  
Farmington, Michigan 48024

Lessee: United States Lease Financing, Inc.  
633 Battery Street  
San Francisco, California 94111

2. Lease of Equipment, dated as of May 1, 1977.

Lessor: United States Lease Financing, Inc.  
633 Battery Street  
San Francisco, California 94111

Lessee: Consolidated Rail Corporation  
Six Penn Center Plaza  
Philadelphia, Pennsylvania 19104

*J. S. Taylor*  
*Consolidated Rail Corporation*

3. Security Agreement, dated as of May 1, 1978.

Debtor: Michigan National Leasing Corporation  
38200 West Ten Mile Road  
Farmington, Michigan 48024

Secured Party: The Philadelphia National Bank  
Broad & Chestnut Streets  
Philadelphia, Pennsylvania 19101

The following Equipment is covered by this transaction:

(SEE ATTACHED APPENDIX)

Enclosed is our check for \$150 to cover the recordation fee. These documents have not been previously recorded with the Interstate Commerce Commission. After recording a counter-part original of these documents, please return the remaining copies, stamped with your recordation number to the individual presenting them for recordation.

Thank you for your assistance.

Sincerely yours,



Joseph T. Rowan  
Corporate Counsel

APPENDIX

DESCRIPTION OF EQUIPMENT

<u>TYPE</u>	<u>AAR MECHANICAL DESIGNATION</u>	<u>NO. OF UNITS</u>	<u>MARKED</u>	<u>NUMBERS INCLUSIVE</u>
Hydra Spikers Manufactured by Rexnord, Inc.	NONE	4	NONE	SM 2158 - SM 2171
Adzers Model CZ with (2) 17" cutter heads Manufactured by Rexnord, Inc.	NONE	6	NONE	TZ 1062 - TZ 1067
30,000 # Push Carts Manufactured by Railway Products Division Marmon, Inc.	NONE	15	NONE	PL 4314 - PL 4328
Anchor carts, Model RADCGI Manufactured by Railway Products Division Marmon, Inc.	NONE	2	NONE	RA 1110 - RA 1111
Spike Carts, Model SDCGI Manufactured by Railway Products Division Marmon, Inc.	NONE	2	NONE	SC 1016 - SC 1017
Rotary Screw Compressors Model 185 GPOGM Manufactured by Sullair Industrial	NONE	100	NONE	AT 1933 - AT 2032
Tie Handlers, Model 2170 Manufactured by Railway Track Work Co.	NONE	9	NONE	TH 2143 - TH 2157
Spike Pulvers, Model BF Mechanical Spike complete with 16" wheels Manufactured by Rexnord, Inc.	NONE	6	NONE	SP 2101 - SP 2112

<u>TYPE</u>	<u>AAR MECHANICAL DESIGNATION</u>	<u>NO. OF UNITS</u>	<u>MARKED</u>	<u>NUMBERS INCLUSIVE</u>
Rail Gauge, self propelled				
Norberg				
Dun Rite gaging machines with pregager hydraulically propelled from Dun Rite Frame with electric start				RX 1016 - RX 1018
Manufactured by Kexnord, Inc.	NONE	3	NONE	
Track Yard Cleaner with Portable ramps and winch	NONE	1	NONE	BT 2402 - BT 2405
Tie Plug Inserters, Model W104, Series D, Manufactured by Fairmont Railway Motors, Inc.	NONE	7	NONE	TD 2054 - TD 2061
Rail Lifters Model W86, Series F Manufactured by Fairmont Railway Motors, Inc.	NONE	10	NONE	TK 2078 - TK 2087
Scarifier Inserters Model W87, Series E, Manufactured by Fairmont Railway Motors, Inc.	NONE	10	NONE	TB 1449 - TB 1458
Tie Cutters Model W114, Series B Manufactured by Fairmont Railway Motors, Inc.	NONE	7	NONE	TA 1430 - TA 1436
Dual Tie Plug Inserters, Model W104 Series DZ28, Manufactured by Fairmont Railway Motors, Inc.	NONE	4	NONE	TD 1005 - TD 1008
LeROI, Model 600 SDU, CFM screw type air compressors including tool box and 2 hooks to loop hose on unit powered by GM 6-V 53N Diesel Engines Supplied by Donald J. Hogan & Co.	NONE	2	NONE	AK 6030 - AK 6033

<u>TYPE</u>	<u>RR MECHANICAL DESIGNATION</u>	<u>NO. OF UNITS</u>	<u>MARKED</u>	<u>NUMBERS INCLUSIVE</u>
Hi Speed Production Tampers 16 tool, Model ES-TD-AG Mark II Manufactured by Can-Ron Rail Group	NONE	11	NONE	ME 5052 - ME 5066
Switch tampers, Model EAS Mark I Manufactured by Can-Ron Rail Group	NONE	9	NONE	ME 4039 - ME 4048
Push Trucks 10000# Q10WAB Manufactured by Quaker RR Equipment Corp.	NONE	25	NONE	PL 1444 - PL 1468
15-Ton Hi Rail Truck Cranes with 30" standard lattice boom Model 32R with Model LG carrier Manufactured by Little Giant	NONE	4	NONE	CT 1543 - CT 1546
Dual Adzar Model 38-1-1 Manufactured by Kershaw Manufacturing Co.	NONE	1	NONE	TZ 1316
Ballast Cribber Model 17-1-1 Dual Rail Laying Oper. Manufactured by Kershaw Manu- facturing Co.	NONE	1	NONE	BC 2002
Tie Plate Removers w/deuta-diesel engines Manufactured by Holley Engineering Co., Inc.	NONE	2	NONE	TR 1001 - TR 1002
On track cranes 12 1/2 ton capacity Model 40 w/40" Magnet (Copper), Hoist block and 3/4 yard bucket Manufactured by Burro Crane, Inc.	NONE	4	NONE	CB 4162 - CB 4165
Crawler cranes, 10 1/2 ton capacity Model C-32 w/magnet and 1/2 yard clam shell bucket Manufactured by Little Giant	NONE	6	NONE	CC 1039 - CC 1048

<u>TYPE</u>	<u>AIR MECHANICAL DESIGNATION</u>	<u>NO. OF UNITS</u>	<u>MARKED</u>	<u>NUMBERS INCLUSIVE</u>
Ballast Regulators, Model PBR 103 Manufactured by Plassar American Corp.	NONE	15	NONE	BR 1282 - BR 1296
Tie End Sweep with Center Line Scriber, Manufactured by RMC Division, Portec, Inc.	NONE	1	NONE	TE 2002
Brush Cutters, Model HD28, Manufactured by RMC Division, Portec, Inc.	NONE	2	NONE	WC 2052 - WC 2055
Rough terrain cranes Model = 30 CWRH with 2 west coast rearview mirrors, steering lock (rear), turntable slewing lock, heavy duty "Goodrich" brakes, defroster, GMG 6V-53N50 engine w/transmission, automatic engine shutdown, Fairlead rollers for Aux. boom line and transmission warning light Manufactured by Pettibone	NONE	4	NONE	CH 1521 - CH 1524
Rail Heaters, Propane type Model Dual CWR Heater, Manufactured by Teleweld, Inc.	NONE	4	NONE	RE 1022 - RE 1025

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MAY 10 1978 -9 52 AM

INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE  
Dated as of May 1, 1978

Between

MICHIGAN NATIONAL LEASING CORPORATION,  
as Lessor

and

UNITED STATES LEASE FINANCING, INC.,  
as Lessee

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## EQUIPMENT LEASE

THIS EQUIPMENT LEASE, dated as of May 1, 1978 (the Lease), between MICHIGAN NATIONAL LEASING CORPORATION (the Lessor) and UNITED STATES LEASE FINANCING, INC., a California corporation (the Lessee).

W I T N E S S E T H :

### SECTION 1. Definitions; Construction of References.

In this Lease, unless the context otherwise requires:

(a) All references in this instrument to designated Sections and other subdivisions are to designated Sections and their subdivisions of this Lease, and the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Section or other subdivision;

(b) The terms defined in this Section 1 or elsewhere in this Lease shall have the meanings assigned to them in this Section 1 or elsewhere and include the plural as well as the singular;

(c) Except as otherwise indicated, all the agreements or instruments hereinafter defined shall mean such agreements or instruments as the same may from time to time be supplemented or amended or the terms thereof waived or modified to the extent permitted by, and in accordance with, the terms thereof;



(d) The following terms shall have the following meanings for all purposes of this Lease;

(1) Appraisal shall mean a procedure whereby two independent appraisers, neither of whom shall be a manufacturer of the Item of Equipment for which Appraisal is required, one chosen by the Lessee and one by the Lessor, shall mutually agree upon the amount in question. The Lessor or the Lessee, as the case may be, shall deliver a written notice to the other party appointing its appraiser within 15 days after receipt from the other party of a written notice appointing that party's appraiser. If within 15 days after appointment of the two appraisers as described above, the two appraisers are unable to agree upon the amount in question, a third independent appraiser, who shall not be a manufacturer of such Item, shall be chosen within five days thereafter by the mutual consent of such first two appraisers or, if such first two appraisers fail to agree upon the appointment of a third appraiser, such appointment shall be made by an authorized representative of the American Arbitration Association or any organization successor thereto. The decision of the third appraiser so appointed and chosen shall be given within 10 days after the selection of such third appraiser and such decision shall be binding and conclusive on the Lessor and the Lessee. Except as provided in Section 16 hereof, the Lessor and the Lessee shall pay the fees and expenses of the respective appraisers appointed by them and shall share equally the fees and

expenses of the third appraiser, if any.

(2) Basic Rent, Interim Rent, Supplemental Rent and Rent shall have the meanings set forth in Section 3 hereof.

(3) Rent Commencement Date, Basic Rent Dates, Basic Lease Rate Factor, Expiration Date, First Delivery Date, Final Delivery Date, First Basic Rent Date, Last Basic Rent Date, Depreciation Method, Net Salvage Value, Investment Credit, Overdue Rate, Lease Extension Periods, Return of Equipment and Equipment Marking shall have the meanings with respect to each Item of Equipment set forth in Exhibit C hereto.

(4) Business Day shall have the meaning set forth in the Participation Agreement.

(5) Casualty Value shall have the meaning with respect to each Item of Equipment set forth in Exhibit D hereto.

(6) Certificate of Acceptance shall mean a certificate of acceptance substantially in the form of Exhibit B hereto.

(7) Closing Date shall have the meaning set forth in the Participation Agreement.

(8) Equipment, and individually an Item of Equipment, shall mean the items of equipment accepted for lease under this Lease pursuant to Section 2 hereof.

(9) Fair Market Value of an Item of Equipment shall be determined on the basis of, and shall mean the aggregate amount which would be obtainable in, an arm's-length transaction between an informed and willing buyer or user (other than: (i) a lessee currently in possession, or (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell, and in such determination costs of removal from the location of current use shall not be a deduction from such value and all alternative uses in the hands of such buyer or user, including without limitation, the further leasing of such Item of Equipment, shall be taken into account in making such determination. If the Lessor and the Lessee are unable to agree upon a determination of Fair Market Value with respect to a particular Item of Equipment, such Fair Market Value shall be determined in accordance with the procedure for Appraisal.

(10) Lessor's Cost shall have the meaning set forth in the Certificate of Acceptance with respect to each Item of Equipment.

(11) Notes shall mean those promissory notes defined as Notes in the Participation Agreement issued in connection with the purchase of the Equipment.

(12) Guarantor shall mean United States Leasing International, Inc.

(9) Fair Market Value of an Item of Equipment shall be determined on the basis of, and shall mean the aggregate amount which would be obtainable in, an arm's-length transaction between an informed and willing buyer or user (other than: (i) a lessee currently in possession, or (ii) a used equipment dealer) and an informed and willing seller under no compulsion to sell, and in such determination costs of removal from the location of current use shall not be a deduction from such value and all alternative uses in the hands of such buyer or user, including without limitation, the further leasing of such Item of Equipment, shall be taken into account in making such determination. If the Lessor and the Lessee are unable to agree upon a determination of Fair Market Value with respect to a particular Item of Equipment, such Fair Market Value shall be determined in accordance with the procedure for Appraisal.

(10) Lessor's Cost shall have the meaning set forth in the Certificate of Acceptance with respect to each Item of Equipment.

(11) Notes shall mean those promissory notes defined as Notes in the Participation Agreement issued in connection with the purchase of the Equipment.

(12) Guarantor shall mean United States Leasing International, Inc.

(13) Participation Agreement shall mean the Participation Agreement, dated as of the date hereof, among the Lessee, the Lessor, the Guarantor, The Philadelphia National Bank, as Lender (the Lender), and the Railroad.

(14) Purchase Documents shall mean those documents defined as purchase documents in the Participation Agreement.

(15) Railroad shall mean Consolidated Rail Corporation.

(16) Security Agreement shall mean the Security Agreement dated as of the date hereof granted by the Lessor to the Lender pursuant to the Participation Agreement and each and every Supplement.

(17) Supplement shall mean each supplement to the Security Agreement.

SECTION 2. Lease of Equipment.

Subject to the terms and conditions of this Lease and the Participation Agreement, the Lessor hereby agrees to lease to the Lessee and the Lessee hereby agrees to lease from the Lessor such Items of Equipment as shall be described in one or more Certificates of Acceptance executed and delivered on behalf of the Lessor with respect thereto and as shall have been delivered and accepted on or after the First Delivery Date but on or before the Final Delivery Date and which conform to the description and restrictions contained on Exhibit A hereto as incorporated in the Participation Agreement (Equipment, and individually an Item or Item of Equipment). Subject to the provisions of the

Participation Agreement, upon delivery of each Item of Equipment to the Lessor, the Lessee will cause an authorized representative of the Lessee to inspect the same and, if such Item of Equipment is found to be in good order, to accept such Item of Equipment and to execute and deliver a Certificate of Acceptance with respect thereto, whereupon, but also subject to the provisions of the Participation Agreement and to acceptance of such Item by an authorized representative of the Lessor, such Item of Equipment shall be deemed to have been delivered to and accepted by the Lessee and shall be subject to the terms and conditions of this Lease.

SECTION 3. Term and Rent.

(a) The term of this Lease as to each Item of Equipment shall begin on its date of acceptance, as set forth in the Certificate of Acceptance executed and delivered with respect thereto, and shall end on the Expiration Date, unless this Lease shall have been terminated, or the term of this Lease with respect to such Item of Equipment shall have been extended, by the terms hereof.

(b) The Lessee shall pay to the Lessor as Basic Rent (herein referred to as Basic Rent) for each Item of Equipment subject to this Lease, the following:

(1) on the First Basic Rent Date, an amount equal to the Basic Lease Rate Factor, multiplied by the Lessor's Cost of such Item; and

(2) on each Basic Rent Date thereafter to and including the Last Basic Rent Date, an amount equal to the Basic Lease Rate Factor, multiplied by the Lessor's Cost of such Item.

(c) The Lessee shall pay the Lessor as Interim Rent (herein referred to as Interim Rent) for each Item of Equipment subject to this Lease on the Rent Commencement Date, an amount equal to the product of (1) the Interim Rent Factor times (2) the Lessor's Cost thereof times (3) the number of days from (and including) the date such Item was paid for by the Lessor to (but excluding) the Rent Commencement Date.

(d) The Lessee shall pay to the Lessor the following amounts (herein referred to as Supplemental Rent and, together with all Basic Rent and Interim Rent, as Rent):

(1) on demand, any amount payable hereunder (other than Basic Rent, Interim Rent and Casualty Value, if any) which the Lessee assumes the obligation to pay, or agrees to pay, under this Lease to the Lessor or others;

(2) on the date provided herein, any amount payable hereunder as Casualty Value, if any; and

(3) to the extent permitted by applicable law, interest (computed on the basis of a 360-day year of twelve 30-day months) at the Overdue Rate on any payment of Basic Rent or Interim Rent or Casualty Value, if any, not paid when due for any period for which the same shall be overdue and on any payment of Supplemental Rent (including, without limitation, interest payable under this clause (3), but excluding payment of Casualty

Value, if any) not paid when demanded hereunder for the period from the date of such demand until the date on which the same shall be paid.

(e) Subject to the provisions of the Participation Agreement, all payments of Rent hereunder shall be made so that the Lessor or any assignee of the Lessor, shall have immediately available funds on the date payable hereunder, and shall be paid to the Lessor at its address set forth herein or at such other address as the Lessor may direct by notice in writing to the Lessee.

SECTION 4. Net Lease, Assignment by Lessor.

(a) Net Lease. This Lease is a net lease and the Lessee acknowledges and agrees that the Lessee's obligations to pay all Rent hereunder, and the rights of the Lessor in and to such Rent, shall be absolute and unconditional and shall not be subject to any abatement, reduction, set-off, defense, counterclaim or recoupment (Abatement) for any reason whatsoever, including, without limitation, Abatements due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise, or against the manufacturer or seller of any Item of Equipment. Except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the respective obligations of the Lessor or the Lessee be affected, by reason of any defect in or damage to, or any loss or destruction of, the Equipment or any Item thereof from whatsoever cause, or the interference with the use thereof by any private person, corporation or governmental authority, or the invalidity or



unenforceability or lack of due authorization of this Lease or lack of right, power or authority of the Lessor to enter into this Lease, or for any other cause, whether similar or dissimilar to the foregoing, any present or future law or regulation to the contrary notwithstanding, it being the express intention of the Lessor and the Lessee that all Rent payable by the Lessee hereunder shall be, and continue to be, payable in all events unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

(b) Assignment by Lessor. The Lessor shall have the right to assign, pursuant to the Security Agreement or other separate form of assignment, all or any part of its rights under this Lease. In such event, the assignee shall be entitled to enforce the rights so assigned, but shall be under no liability to the Lessee to perform any of the obligations of the Lessor. The Lessee agrees that it will pay all sums so assigned and due by Lessee hereunder directly to such assignee (or to whomsoever the assignee shall direct) after receipt of notice of such assignment. Any assignee of Lessor's rights may reassign such rights with the same force and effect as an original assignment.

#### SECTION 5. Return of Equipment.

Upon the expiration or termination of this Lease with respect to the Equipment, the Lessee, at its own risk and expense, will return the Items of Equipment then subject to this Lease to the Lessor pursuant to the Lessor's instructions set forth under the heading Return of Equipment in Exhibit C to this Lease and in the condition in which such Equipment is required to

be maintained pursuant to Section 9 hereof. Such Equipment, upon redelivery pursuant hereto, shall be free and clear of all mortgages, liens, security interests, charges, encumbrances and claims (Liens), other than Liens described in Section 7(h) of the Participation Agreement (such Liens being herein referred to as Lessor's Liens).

SECTION 6. Warranties of the Lessor.

(a) The Lessor warrants that during the term of this Lease, if no Event of Default has occurred, the Lessee's use of the Equipment shall not be interrupted by the Lessor or anyone claiming solely through or under the Lessor.

(b) The warranties set forth in paragraph (a) of this Section are in lieu of all other warranties of the Lessor, whether written, oral or implied with respect to this Lease or the Equipment; and the Lessor shall not be deemed to have made, and the LESSOR HEREBY DISCLAIMS ANY OTHER REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE DESIGN OR CONDITION OF THE EQUIPMENT, ITS MERCHANTABILITY OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE EQUIPMENT OR CONFORMITY OF THE EQUIPMENT TO THE PROVISIONS AND SPECIFICATIONS OF ANY PURCHASE ORDER OR ORDERS RELATING THERETO, NOR SHALL THE LESSOR BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING STRICT LIABILITY IN TORT), but the Lessor authorizes the Lessee, at the Lessee's expense, to assert for the Lessor's account, during the term of this Lease, so long as no Event of Default shall have occurred hereunder and be continuing,

all of the Lessor's rights under any applicable manufacturer's or seller's warranty and the Lessor agrees to cooperate with the Lessee in asserting such rights; provided, however, that the Lessee shall indemnify and shall hold the Lessor harmless from and against any and all claims, and all costs, expenses, damages, losses and liabilities incurred or suffered by the Lessor in connection with, as a result of, or incidental to, any action by the Lessee pursuant to the above authorization. Any amount received by the Lessee as payment under any such warranty shall be applied to restore the Equipment to the condition required by Section 9 hereof.

SECTION 7. Liens.

The Lessee will not mortgage, encumber or directly or indirectly create, incur, assume or suffer to exist any Liens on or with respect to the Equipment, the Lessor's title thereto or any interest therein (and the Lessee will promptly, at its own expense, take such action as may be necessary to duly discharge any such Lien), except (a) the respective rights of the Lessor and the Lessee as herein provided, (b) Lessor's Liens, (c) Liens for taxes either not yet due or being contested in good faith and by appropriate proceedings, if counsel for the Lessor shall have determined that the nonpayment of any such tax or the contest of any such payment in such proceedings do not, in the opinion of such counsel, adversely affect the title, property, or rights of the Lessor, (d) inchoate materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business of the Lessee and not delinquent, (e)

Liens granted by the Lessor to any assignee or security assignee of the Lessor, and (f) the sublease of the Equipment by the Lessee to the Railroad (the Sublease) made with the approval of the Lessor and the Lender.

SECTION 8. Taxes.

The Lessee agrees to pay and to indemnify the Lessor for, and hold the Lessor harmless from and against, all income, franchise, sales, use, personal property, ad valorem, value added, leasing, leasing use, stamp or other taxes, levies, imposts, duties, charges, or withholdings of any nature, together with any penalties, fines or interest thereon (Impositions), arising out of the transactions contemplated by this Lease and imposed against the Lessor, the Lessee or the Equipment by any federal, state, local or foreign government or taxing authority upon or with respect to the Equipment or upon the sale, purchase, ownership, delivery, leasing, possession, use, operation, return or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon or with respect to this Lease (excluding, however, federal taxes on, or measured by, the net income of the Lessor and taxes, fees or other charges of any other jurisdiction solely based on, or solely measured by, the net income of the Lessor and (i) imposed by the jurisdiction in which the principal office of the Lessor is located or (ii) imposed by any other jurisdiction in which the Lessor would, without having entered into this Lease, be subject to such taxes, fees or other charges as a result of business or transactions similar to leasing) unless, and only to the extent that, the

Lessee shall have given to the Lessor written notice of any such Imposition, which notice shall state that such Imposition is being contested by the Lessee in good faith and by appropriate proceedings and counsel for the Lessor shall have determined that the nonpayment thereof or the contest thereof in such proceedings does not, in the opinion of such counsel, adversely affect the title, property or rights of the Lessor. If a claim is made against the Lessee or the Lessor for any Imposition, the party receiving notice of such claim shall promptly notify the other. In case any report or return is required to be made with respect to any obligation of the Lessee under this Section 8 or arising out of this Section 8, the Lessee will either (after notice to the Lessor) make such report or return in such manner as will show the ownership of the Equipment in the Lessor and send a copy of such report or return to the Lessor or will notify the Lessor of such requirement and make such report or return in such manner as shall be satisfactory to the Lessor. The Lessor agrees to cooperate fully with the Lessee in the preparation of any such report or return.

SECTION 9. Use, Maintenance and Operation;  
Identifying, Marks.

(a) The Lessee agrees that the Equipment will be used, and when redelivered to the Lessor will be, in compliance with any and all statutes, law, ordinances and regulations of any governmental agency applicable to the use of the Equipment, and, subject to the provisions of Section 14 hereof, will at all times be used solely in the conduct of its business and be and remain

SECTION 10. Inspection.

The Lessor shall have the right, but not the duty, to inspect the Equipment. Upon the request of the Lessor, the Lessee shall confirm to the Lessor the location of each Item of Equipment and shall, at any reasonable time, make the Equipment, and the Lessee's records pertaining to the Equipment, available to the Lessor for inspection.

SECTION 11. Loss or Destruction; Requisition of Use.

(a) In the event that any Item of Equipment shall be or become damaged, worn out, destroyed, lost, stolen, or permanently rendered unfit for its original intended use for any reason whatsoever, or title thereto shall be requisitioned or otherwise taken by any governmental authority under power of eminent domain or otherwise (Requisition of Use), or any Item of Equipment is returned to the manufacturer or seller thereof pursuant to the patent indemnity provisions of the Purchase Documents, such fact shall promptly be reported by the Lessee to the Lessor.

(b) The Lessee shall determine, within 45 days after the date of occurrence of any such damage or wearing out, whether such Item of Equipment can be repaired or replaced.

(c) In the event that such Item cannot be repaired or replaced or in the event of such damage, wearing out, destruction, loss, theft, unfitness for its original intended use, Requisition of Use for a stated period which exceeds the term of this Lease, or return of such Item to the manufacturer or seller thereof without replacement thereof (any of such occurrences being referred to as an Event of Loss), the Lessee

property of the Lessor and thereupon all such accessories, equipment and devices shall become a part of the Equipment leased hereunder. The Lessee agrees that each such Item is, and shall continue to be throughout the term of this Lease, personal property under applicable law and the Lessee agrees to take such action as shall be required from time to time by the Lessor to protect the Lessor's title to each such Item and the right of the Lessor to remove the same.

(d) The Lessee agrees, at its own cost and expense, to (1) cause each Item of Equipment to be kept numbered with the identification or serial number therefor as specified in the Certificate of Acceptance therefor and (2) maintain the Equipment Marking on each Item of Equipment and such other markings as from time to time may be required by law or otherwise deemed necessary by the Lessor in order to protect the title of the Lessor to such Item of Equipment, the rights of the Lessor under this Lease and the Lien granted by the Lessor in financing the Lessor's Cost of the Equipment. The Lessee will not place any Item of Equipment in operation or exercise any control or dominion over the same until such Equipment Marking has been placed thereon. The Lessee will replace promptly any such Equipment Marking which may be removed, defaced or destroyed.

(e) The Lessee represents that it has no present intention to make any non-removable addition and that it does not presently foresee that any such non-removable addition will be required by the terms of this Lease.

SECTION 10. Inspection.

The Lessor shall have the right, but not the duty, to inspect the Equipment. Upon the request of the Lessor, the Lessee shall confirm to the Lessor the location of each Item of Equipment and shall, at any reasonable time, make the Equipment, and the Lessee's records pertaining to the Equipment, available to the Lessor for inspection.

SECTION 11. Loss or Destruction; Requisition of Use.

(a) In the event that any Item of Equipment shall be or become damaged, worn out, destroyed, lost, stolen, or permanently rendered unfit for its original intended use for any reason whatsoever, or title thereto shall be requisitioned or otherwise taken by any governmental authority under power of eminent domain or otherwise (Requisition of Use), or any Item of Equipment is returned to the manufacturer or seller thereof pursuant to the patent indemnity provisions of the Purchase Documents, such fact shall promptly be reported by the Lessee to the Lessor.

(b) The Lessee shall determine, within 45 days after the date of occurrence of any such damage or wearing out, whether such Item of Equipment can be repaired or replaced.

(c) In the event that such Item cannot be repaired or replaced or in the event of such damage, wearing out, destruction, loss, theft, unfitness for its original intended use, Requisition of Use for a stated period which exceeds the term of this Lease, or return of such Item to the manufacturer or seller thereof without replacement thereof (any of such occurrences being referred to as an Event of Loss), the Lessee



shall promptly notify the Lessor of such Event of Loss. On the Basic Rent Date next following the date of such Event of Loss, or, if such Event of Loss occurs after the Last Basic Rent Date, on the Expiration Date, the Lessee shall pay to the Lessor the Casualty Value of such Item, determined as of such rent payment date, together with any Rent then due. In the event the Lessee determines that such Item can be repaired or replaced, the Lessee shall continue to make all payments of Basic Rent due with respect to such Item and shall (1) cause such Item to be repaired or replaced within 90 days after the occurrence of such damage or wearing out, and (2) in the event of replacement, take such action as may be required under and pursuant to the Security Agreement to perfect, protect and preserve any security interests created by the Lessor under and pursuant to the Security Agreement; provided, however, that if the Lessee shall, within such 90-day period, have commenced the repair or replacement of such Item and be diligently pursuing such repair or replacement, but is prevented from completing such repair or replacement within such 90-day period due to causes beyond the Lessee's control, then the time for repair or replacement shall be extended by the number of days necessary to complete such repair or replacement up to a maximum of 30 additional days, and further provided, that if the Lessee shall fail to repair or replace such Item within such repair or replacement period (including any extension thereof) the Lessee shall, on the rent payment date next following the end of such repair or replacement period, pay to the Lessor the Casualty Value of such Item, determined as of

such rent payment date, together with any Rent then due. If at such time no more Basic Rent is or will become payable under this Lease, the Casualty Value shall be paid within 30 days following, as appropriate, the Event of Loss or the repair or replacement period and the Lessee shall pay the Lessor interest at the Overdue Rate on an amount equal to the Casualty Value, as of the Expiration Date, from the Expiration Date to the date the Casualty Value is paid. Notwithstanding the foregoing, the Lessee, pursuant to the provisions of Section 15 hereof, shall still be required to indemnify the Lessor for any Loss, as defined in Section 15 hereof, due to the Lessee's act of replacing an Item of Equipment as authorized hereby. Upon making such Casualty Value payment in respect of such Item and all Rent due and owing with respect thereto, the Lessee's obligation to pay further Basic Rent for such Item shall cease, but the Lessee's obligation to pay Supplemental Rent, if any, for such Item, and to pay Rent for all other Items of Equipment shall remain unchanged. Except in the case of loss, theft, destruction, or return to the manufacturer or seller, the Lessor shall be entitled to recover possession of such Item, unless possession of such Item is required to be delivered to an insurance carrier (other than the Lessee) in order to settle an insurance claim arising out of the Event of Loss. The Lessor shall be entitled to retain any salvage value collected by such insurance carrier in excess of the amount paid to the Lessor by said insurance carrier. The Lessor shall be under no duty to Lessee to pursue any claim against any governmental authority,

but the Lessee may at its own cost and expense pursue the same on behalf of the Lessor in such manner as may be satisfactory to the Lessor. Any replacement Item installed by the Lessee in accordance with the provisions of this Section 11(c) shall be in as good operating condition as, and shall have a value and utility at least equal to, the Item replaced, assuming the Item replaced was in the condition and state of repair required to be maintained by the terms hereof.

(d) Following payment of the Casualty Value of an Item of Equipment in accordance with the provisions of Section 11(c), the Lessee shall, as agent for the Lessor, dispose of such Item as soon as it is able to do so for the best price obtainable. Any such disposition shall be on an "as is", "where is" basis without representation or warranty, express or implied. As to each separate Item so disposed of, the Lessee may, after paying the Lessor the amounts specified in Section 11(c), retain all amounts of such price, plus damages received by the Lessee by reason of such Event of Loss, up to the Casualty Value plus the Lessee's reasonable costs and expenses of disposition attributable thereto plus the present value of income lost for the use of such Item by the Lessee for the balance of the term hereof as the result of such Event of Loss, and shall remit the excess, if any, to the Lessor. As to each Item of Equipment returned to the manufacturer or seller thereof in the manner described in Section 11(a) and not replaced or modified by the manufacturer or seller pursuant to the patent indemnity provisions of the Purchase Documents, the Lessor agrees that the

Lessee shall receive and retain all amounts payable to the Lessor by the manufacturer or seller for the return of such Item, up to the Casualty Value paid by the Lessee hereunder plus the Lessee's expenses and loss of income, and any excess shall be paid over to or retained by the Lessor. As to each Item of Equipment modified and each replacement Item installed by the manufacturer or seller pursuant to the patent indemnity provisions of the Purchase Documents, the Lessor and the Lessee agree that such modified Item or replacement Item shall be delivered to the Lessee and shall, without any further act of the Lessor or the Lessee, be considered an Item for all purposes of this Lease.

(e) Except as hereinabove in this Section 11 provided, the Lessee shall bear the risk of loss and shall not be released from its obligations hereunder in the event of any damage or Event of Loss to any Item of Equipment after delivery to and acceptance by the Lessee hereunder.

(f) In the case of a Requisition of Use of any Item of Equipment for a stated period which does not exceed the term of this Lease, such Requisition of Use shall not terminate this Lease with respect to such Item, and each and every obligation of the Lessee with respect thereto shall remain in full force and effect. So long as no Event of Default shall have occurred and be continuing under this Lease, the Lessee shall be entitled to all sums received by reason of any such Requisition of Use.

SECTION 12. Insurance.

The Lessee will at all times after delivery and acceptance of each Item of Equipment, at its own expense, keep or cause to be kept each such Item insured by a reputable insurance company or companies in amounts and against risks customarily insured against by the Lessee on similar equipment owned or leased by the Lessee or the Railroad. Any such insurance may have applicable thereto deductible provisions to no greater extent than in effect for insurance coverage for similar equipment owned or leased by the Lessee or the Railroad and may be carried under blanket policies maintained by the Lessee or the Railroad so long as such policy otherwise complies with the provisions of this Section 12. All such insurance shall cover the interest of the Lessor, the Lessee and the Lender in the Items, or as the case may be, and shall protect the Lessor, the Lessee and the Lender in respect of risks arising out of the condition, maintenance, use, ownership, or operation of the Items. Such insurance may provide that losses shall be adjusted with the Lessee. All liability policies shall name the Lessor, the Lessee and the Lender as insureds. All policies required hereby covering loss or damage to any Item shall name the Lessor, the Lessee and the Lender as insureds and shall provide that any payment thereunder for any loss or damage shall (except as provided below) be made to the Lender under a standard mortgagee loss payable clause satisfactory to the Lessor and the Lender and shall provide that the insurer thereunder waives all rights of subrogation against the Lessor, the Lessee and the Lender, and

that such insurance as to the interest of the Lender therein shall not be invalidated by any act or neglect of the Lessor, the Lessee or the Lender or by any foreclosure or other remedial proceedings or notices thereof relating to the Items or any Items or any interest therein nor by any change in the title or ownership of the Items or any interest therein or with respect thereto, or by the use or operation of the Items for purposes more hazardous or in a manner more hazardous than is permitted by such policy. No such policy shall contain a provision relieving the insurer thereunder of liability for any loss by reason of the existing of other policies of insurance covering the Items against the peril involved, whether collectible or not. All proceeds of insurance received by the Lessor and the Lender with respect to any Items of Equipment not suffering an Event of Loss (as hereinafter defined) shall be paid to the Lessee upon proof satisfactory to the Lessor and the Lender that any damage to any item with respect to which such proceeds were paid has been fully repaired. Any such proceeds of insurance received by the Lessor and the Lender with respect to an Event of Loss shall be credited toward the payment required by this Lease with respect to an Event of Loss. The Lessee shall upon request of the Lessor and the Lender allow the Lessor and the Lender an opportunity to read and review the insurance policies required hereunder and shall furnish the Lessor and the Lender certificates or other satisfactory evidence of maintenance of the insurance required hereunder and with respect to any renewal policy or policies shall furnish certificates evidencing such renewal not less than

30 days prior to the expiration date of the original policy or renewal policies. All such policies shall provide that the same shall not be cancelled without at least 30 days prior written notice to each assured named therein.

SECTION 13. Indemnification.

The Lessee agrees to assume liability for, and does hereby agree to indemnify, protect, save and keep harmless the Lessor from and against any and all liabilities, obligations, losses, damages, penalties, claims (including, without limitation, claims involving strict or absolute liability), actions, suits, costs, expenses and disbursements (including, without limitation, legal fees and expenses) of any kind and nature whatsoever (Claims) which may be imposed on, incurred or asserted against the Lessor, whether or not the Lessor shall also be indemnified as to any such Claim by any other person, in any way relating to or arising out of this Lease or any document contemplated hereby or the performance or enforcement of any of the terms hereof or thereof, or in any way relating to or arising out of the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, sublease, possession, use, operation, maintenance, condition, registration, sale, return, storage or disposition of any Item of Equipment or any accident in connection therewith (including, without limitation, latent and other defects, whether or not discoverable and any Claim for patent, trademark or copyright infringement); provided, however, that the Lessee shall not be required to indemnify the Lessor for (a) any Claim in respect of any Item of Equipment arising from

acts or events which occur after possession of such Item of Equipment has been redelivered to the Lessor, (b) any Claim resulting from acts which would constitute the willful misconduct or gross negligence of the Lessor or (c) any Claim arising from an act or omission of the Lessor under the Notes or the Security Agreement; unless any Claim referenced in (a), (b) or (c) above shall have been directly or indirectly caused by the Lessee, its agents, employees or sublessees, or any default under the Lease. To the extent that the Lessor in fact receives indemnification payments from the Lessee under the indemnification provisions of this Section 13, the Lessee shall be subrogated, to the extent of such indemnity paid, to the Lessor's rights with respect to the transaction or event requiring or giving rise to such indemnity; provided, however, that the Lessee shall not enforce any such rights by legal proceedings without the Lessor's approval, which approval shall not be unreasonably withheld. The Lessee agrees that the Lessor shall not be liable to the Lessee for any Claim caused directly or indirectly by the inadequacy of any Item of Equipment for any purpose or any deficiency or defect therein or the use or maintenance thereof or any repairs, servicing or adjustments thereto or any delay in providing or failure to provide any thereof or any interruption or loss of service or use thereof or any loss of business, all of which shall be the risk and responsibility of the Lessee. The rights and indemnities of the Lessor hereunder are expressly made for the benefit of, and shall be enforceable by, the Lessor notwithstanding the fact that the Lessor is either no longer a party to this Lease, or was not



a party to this Lease at its outset.

SECTION 14. Sublease.

The Lessee may sublease the Equipment to the Railroad under the Sublease and any Item of Equipment returned to the possession or control of Lessee for any reason, to any United States railroad, provided (a) the rights of the sublessee thereunder are expressly subject and subordinate to the rights of the Lessor and any security assignee of the Lessor, and (b) the Items of Equipment to be subleased shall be located only in those jurisdictions in the continental United States which shall have adopted and shall have in effect the Uniform Commercial Code (any and all such subleases including the Sublease are referred to as the Permitted Subleases). No sublease, other relinquishment of the possession of any of the Equipment, or assignment by the Lessee of any of its rights hereunder shall in any way discharge or diminish any of the Lessee's obligations to the Lessor hereunder.

SECTION 15. Tax Indemnification.

(a) This Lease has been entered into on the basis that the Lessor shall be entitled to such deductions, credits and other benefits as are provided to an owner of property including, without limitation:

(i) the investment tax credit (Investment Credit) allowed by section 38 and related sections of the Internal Revenue Code of 1954, as amended (Code), in an amount equal to the percentage set forth in Exhibit C hereto of the Lessor's Cost of each Item of Equipment;

(ii) the deduction for accelerated depreciation (Depreciation Deduction) on each Item of Equipment under various sections of the Code based upon the Depreciation Method set forth in Exhibit C hereto;

(iii) the deduction under section 163 of the Code (Interest Deduction) in the full amount of any interest paid or accrued by the Lessor in accordance with the Lessor's method of accounting for tax purposes with respect to any indebtedness incurred by the Lessor to the Lender pursuant to the Participation Agreement.

The Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time take any action or file any returns or other documents inconsistent with the foregoing or which would increase the amount of rentals required to be taken into income by the Lessor over the amount specified to be payable under the Lease on the dates due thereunder except as specifically provided in the Lease, and that each of such corporations will file such returns, take such action and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent hereof. The Lessee will keep and make available for inspection and copying upon reasonable demand by the Lessor such records as will enable the Lessor to determine whether it is entitled to the full benefit of the ADR Deduction, the Interest Deduction and the Investment Credit with respect to the Equipment.

(b) the Lessee represents and warrants as follows:

(i) each Item of Equipment will, at the time it is purchased by the Lessor under the terms of this Lease, consist only of new tangible personal property, within the meaning of section 167 of the Code and shall constitute "new section 38 property" within the meaning of section 48(b) of the Code, and at all times during the term of the Lease the Equipment will constitute "section 38 property" within the meaning of section 48(a) of the Code;

(ii) the Equipment shall not have been placed in service, within the meaning of section 1.167(a)-11(e)(1)(i) of the Regulations under the Code, by the Lessee or any other person prior to its delivery to the Lessor and the original use of the Equipment, within the meaning of section 1.167(c)-1(a)(2) of such Regulations, shall not have commenced prior to the delivery of the Equipment to the Lessor; and

(iii) all information supplied by the Lessee in writing to the Lessor, or any independent appraiser or engineer with respect to the description, nature, function, testing and cost of the Equipment, including, but not limited to, facts relating to its intended use, economic life and residual value, was complete and accurate at the time given.

(c) If as the direct or indirect result of (A) a breach by the Lessee or any subsidiary, affiliate, agent or employee of the Lessee of any representation, warranty, covenant

or agreement made by the Lessee in clauses (i), (ii) or (iii) of subparagraph (b) above, (B) any action or a failure to take any action by the Lessee or any subsidiary, affiliate, agent or employee of the Lessee, (C) any incomplete, incorrect or inaccurate information being furnished by the Lessee or any subsidiary, affiliate, agent or employee of the Lessee, the Lessor shall lose, shall not have or shall lose the right to claim, or if there shall be disallowed or recaptured with respect to the Lessor, all or any portion of the Investment Credit, the Interest Deduction or the Depreciation Deduction as is provided to an owner of property with respect to any Item of Equipment (Loss), then the Basic Lease Rate Factor applicable to such Item of Equipment shall, on and after the next succeeding Basic Rent Date, after written notice to the Lessee by the Lessor that a Loss has occurred, be increased by such amount for such Item which, in the reasonable opinion of the Lessor, will cause the Lessor's net return over the term of the Lease in respect of such Item to equal the net return that would have been available if the Lessor had been entitled to the utilization of all of the Investment Credit, the Interest Deduction and the Depreciation Deduction with respect to such Item. In the event that such Loss occurs after the Last Basic Rent Date, the Lessor shall notify the Lessee in writing of such Loss and the Lessee shall, on the date occurring 30 days after the date of such Loss, pay to the Lessor such sum as will, in the reasonable opinion of the Lessor, cause the Lessor's net return over the term of the Lease in respect of such Item to equal the net return that would have been

available if the Lessor had been entitled to the utilization of all of the Investment Credit, the Interest Deduction and the Depreciation Deduction with respect to such Item. The Lessee shall forthwith pay to the Lessor the amount of any interest which may be assessed by the United States or any State against the Lessor attributable to the Loss.

(d) For purposes of this Section 15, a Loss shall occur upon the earliest of (1) the happening of any event (such as a disposition or change in the use of any Item of Equipment) which may cause such Loss, (2) the payment by the Lessor to the Internal Revenue Service of the tax increase resulting from such Loss, or (3) the adjustment of the tax return of the Lessor to reflect such Loss. With respect to any Item of Equipment, the Lessor shall be responsible for, and shall not be entitled to a payment under this Section 15 on account of any one or more of the following events: (i) a disqualifying disposition due to the sale of such Item of Equipment or the lease thereof by the Lessor, provided an Event of Default has not occurred and is continuing hereunder more than five (5) days after written notice from the Lessor to the Lessee of an intended disposition, or (ii) a failure of the Lessor to timely or properly claim the Investment Credit, Interest Deduction or Depreciation Deduction for such Item of Equipment in the tax return of the Lessor, or (iii) a disqualifying change in the nature of the Lessor's business or the liquidation thereof, or (iv) a foreclosure by any person holding through the Lessor of a lien on such Item of Equipment, which foreclosure is not the result of an Event of

Default hereunder, or (v) any event which by the terms of this Lease requires payment by the Lessee of the Casualty Value of such Item, if such Casualty Value is thereafter actually paid by the Lessee, to the extent that such payment reimburses the Lessor for amounts otherwise payable by the Lessee pursuant to this Section 15, or (vi) any change in the Code or regulations of the Treasury thereunder, which is effective after delivery of the Item or Items to the Lessor to which the Loss relates, except as provided in part (i) of this Section, or (vii) the failure of the Lessor to have sufficient liability for tax against which to apply such Investment Credit or taxable income against which to apply such Depreciation Deduction or Interest Deduction.

(e) When the cost of any non-removable addition made by the Lessee to any Item of Equipment (hereinafter called Additional Expenditure) is required to be included in the gross income of the Lessor for federal income tax purposes at any time prior to the time such Item is disposed of in a taxable transaction, then the Rent for the Item affected, on the next succeeding Basic Rent Date after the date on which the Lessor pays additional income taxes with respect thereto, shall be increased to such amount or amounts, or if such payment of additional income taxes is made after the Last Basic Rent Date, the Lessee shall pay the Lessor such a lump sum amount, as shall, in the reasonable opinion of the Lessor (after taking into account any present or future tax benefits that the Lessor reasonably anticipates it will derive from its additional investment in the Item by reason of such inclusion, including,

without limitation, any current deductions, future depreciation deductions and investment tax credit) cause the Lessor's cash flow and net after-tax rate of return (calculated on the same basis as used by the Lessor in originally evaluating this transaction) to equal the net cash flow and after-tax rate of return that would have been realized by the Lessor if the cost of such Additional Expenditure had not been includible in the Lessor's gross income.

In determining the present or future tax benefits to be taken into account by the Lessor in establishing the payments required by this Section 15, the Lessor shall attempt to maximize such benefits and hence minimize the amount of such payments by making such elections (including where advantageous the applicable asset guideline repair allowance and accelerated depreciation, if then permitted) and utilizing such conventions and accounting methods as will further such objectives; provided, however, that the Lessor shall not be required to make any election or utilize a particular convention or accounting method if the Lessor determines, in its sole discretion but in good faith, that in so doing it will adversely affect its Federal income tax liability determined without regard to this transaction.

(f) The cost of Additional Expenditures made by the Lessee shall be deemed to be "required to be included in the gross income of the Lessor for Federal income tax purposes" if such inclusion is required by (i) any private ruling letter issued to the Lessor by the Internal Revenue Service that has not

been revoked or otherwise rendered inapplicable at the time the cost of said Additional Expenditures is incurred; (ii) any provision of the Code or the applicable regulations thereunder; or (iii) any published revenue ruling of the Internal Revenue Service which has not been held invalid by a court having ultimate appellate jurisdiction over the Federal income tax liability of the Lessor.

(g) The Lessee agrees that, within 30 days after the close of any calendar year (or in the event the Lessor gives the Lessee written notice that the Lessor's taxable year closes on a date specified therein other than December 31, within 30 days after said date) in which the Lessee has made Additional Expenditures which are required to be included in the gross income of the Lessor for Federal income tax purposes prior to the time such Item is disposed of in a taxable transaction, the Lessee will give written notice thereof to the Lessor describing such Additional Expenditures in reasonable detail and specifying the cost thereof with respect to each Item.

(h) In the event that the Lessor shall suffer a Loss or shall be required to include the cost of Additional Expenditures in its gross income, the Lessor will take such action in any claim or ruling of the Internal Revenue Service upon which the Loss or the inclusion of the cost of such Additional Expenditure is based as the Lessee shall reasonably request from time to time; provided, however, that (i) the Lessee shall notify the Lessor within 30 days after notice by the Lessor to the Lessee of such claim or ruling that the Lessee requests



that such claim or ruling be contested or that the modification thereof be sought, (ii) the Lessor, at its sole option, may forego any and all administrative appeals, proceedings, hearings and conferences with the Internal Revenue Service in respect of contesting or seeking the modification of such claim or ruling and may, at its sole option, either pay the tax claimed and sue for a refund in the appropriate District Court or in the Court of Claims, as the Lessor shall elect, or contest such claim or ruling in the Tax Court, considering, however, in good faith such request as the Lessee shall make concerning the most appropriate forum in which to proceed, (iii) the Lessee shall furnish the Lessor with an opinion of independent tax counsel who shall be reasonably satisfactory to the Lessor to the effect that a meritorious defense exists to such claim or ruling, (iv) the Lessee shall agree to pay and shall indemnify the Lessor in a manner satisfactory to the Lessor against any liability or loss which the Lessor may incur in connection with contesting or seeking the modification of such claim or ruling, including, without limitation (A) reasonable attorneys' and accountants' fees and disbursements and (B) the amount of any interest, penalty and other sums which may ultimately be payable as the result of contesting or seeking the modification for such claim or ruling, and (v) the Lessee shall furnish reasonable security for such indemnification as may be requested. In the case of any such claim or ruling, the Lessor agrees to notify the Lessee in writing of such claim or ruling and agrees not to make payment of the tax claimed for at least 30 days after the giving of such

notice and agrees to cooperate with the Lessee in order to contest effectively or obtain the modification of any such claim or ruling. Notwithstanding anything herein contained to the contrary, if the Lessee elects to contest or seek the modification of such claim or ruling and is successful, the Lessee agrees to pay the Lessor's expenses, including reasonable attorneys' fees, incurred in such contest or proceeding.

(i) The Lessee and the Lessor hereby agree that in the event of any change in the Code or regulations of the Treasury thereunder which is effective on or prior to December 31, 1979 (including any such change which is adopted prior to June 30, 1980, but which is made effective on or prior to December 31, 1979) which has the effect of decreasing the net cash flow and after tax rate of return of the Lessor in respect of the Equipment (computed on the same assumptions as utilized by the Lessor in originally evaluating this transaction), then the amount of each installment of Basic Rent payable under the Lease thereafter shall be increased to an amount so as to cause the net cash flow and after tax rate of return of the Lessor in respect of the Equipment to be equal to that which would have been available to the Lessor (all computed on the same such assumptions) if no such change in the Code or regulations had occurred.

(j) All of the Lessor's rights and privileges arising from the indemnities contained in this Section 15 shall survive the expiration or other termination of this Lease with respect to any or all Items of Equipment and such indemnities are expressly

made for the benefit of and shall be enforceable by the Lessor, its successors and assigns.

SECTION 16. Lease Extension, Purchase Option.

(a) Provided that this Lease has not been terminated and provided that no Event of Default has occurred and is continuing hereunder, the Lessee shall have the option to extend the term of this Lease with respect to the Equipment for such Lease Extension Periods as are provided for in Exhibit C hereto for a rental equal to the Fair Market Rental Value thereof determined as the end of term or last extended term of this Lease or at the end of the term or any extended term of this Lease to purchase the Equipment from the Lessor at a price equal to the Fair Market Value thereof.

(b) Not less than 180 days prior to the Expiration Date or end of the last renewal period, the Lessee may indicate, by written notice to the Lessor, the Lessee's interest in exercising the Lessee's lease extension or purchase option described above, which notice shall set forth the Lessee's estimate of the Fair Market Rental Value or Fair Market Value of the Equipment as of such date. If, on or before a date 160 days prior to such date, the Lessor and the Lessee are unable to agree upon a determination of the Fair Rental Value or Fair Market Value, such amount shall be determined in accordance with the procedure for Appraisal. After a determination has been made in accordance with the procedure described above, the Lessee may exercise its option to extend the term of this Lease or purchase the Equipment by delivering written notice of such exercise to

the Lessor not less than 100 days prior to the Expiration Date or end of the last renewal period. If the procedure for Appraisal has been used and the Lessee does not elect the option for which such procedure was used, the Lessee shall pay the fees and expenses of all appraisers involved in the procedure.

(c) Fair Market Rental Value shall be determined on the basis of and shall mean the aggregate amount which would be obtainable in an arm's length transaction between an informed and willing lessee and an informed and willing lessor under no compulsion to lease.

#### SECTION 17. Events of Default.

The term Event of Default, wherever used herein, shall mean any of the following events under the Lease (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or come about or be affected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) The Lessee shall fail to make any payment of Rent within five (5) business days after the same shall become due; or

(b) The Lessee shall fail to perform or observe any other covenant, condition, or agreement to be performed or observed by it under this Lease or any agreement, document or certificate delivered by the Lessee in connection herewith, and such failure shall continue for 30 days after written notice thereof from the Lessor to the Lessee; or

(c) The Guarantor shall fail to perform or observe any covenant, condition or agreement to be performed by it under the Participation Agreement or any agreement, document or certificate delivered by the Guarantor in connection therewith and such failure shall continue for 30 days after written notice thereof from the Lessor to the Lessee and the Guarantor; or

(d) Any representation or warranty made by the Lessee in this Lease or by the Lessee or the Guarantor in the Participation Agreement or in any document or certificate furnished to the Lessor in connection herewith shall prove to have been incorrect in any material respect when any such representation or warranty was made or given; or

(e) A petition in bankruptcy shall be filed by the Lessee or the Guarantor, or the Lessee or the Guarantor shall make an assignment for the benefit of creditors or consent to the appointment of a trustee or receiver; or a trustee or a receiver shall be appointed for the Lessee or the Guarantor, for any Item of Equipment or for a substantial part of any of their property without consent and shall not be dismissed within a period of 60 days; or bankruptcy, reorganization or insolvency proceedings shall be instituted against the Lessee or the Guarantor and shall not be dismissed for a period of 60 days; or

(f) The Lessee, the Guarantor, or the Guarantor's main operating subsidiary, United States Leasing Corporation shall be in default under any material obligation for the payment of borrowed money or for the deferred purchase price of, or for the payment of any rent under any lease agreement covering, material

real or personal property, notice of any such default shall have been given to such defaulting party, <sup>and</sup> the applicable grace period with respect thereto shall have expired ~~and acceleration of the total obligations or other appropriate enforcement action shall have been undertaken against any such defaulting party;~~ or

(g) The Lessee shall attempt to remove, sell, transfer, encumber, part with possession of, assign or sublet (except as expressly permitted by the provisions of this Lease) any Item of Equipment.

#### SECTION 18. Remedies.

(a) Upon the occurrence of any Event of Default and so long as the same shall be continuing, the Lessor may, at its option, declare this Lease to be in default by written notice to such effect given to the Lessee, and at any time thereafter, the Lessor may exercise one or more of the following remedies, as the Lessor in its sole discretion shall lawfully elect:

(1) Proceed by appropriate court action, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof;

(2) By notice in writing terminate this Lease, whereupon all rights of the Lessee to the use of the Equipment shall absolutely cease and terminate but the Lessee shall remain liable as hereinafter provided; and thereupon the Lessee, if so requested by the Lessor, shall at its expense promptly return the Equipment to the possession of the Lessor at such place as the Lessor shall

designate and in the condition required upon the return thereof pursuant to and in accordance with the terms hereof, or the Lessor, at its option, may enter upon the premises where the Equipment is located and take immediate possession of and remove the same by summary proceedings or otherwise. The Lessee shall, without further demand, forthwith pay to the Lessor an amount equal to any unpaid Rent due and payable for all periods up to and including the Basic Rent Date following the date on which the Lessor has declared this Lease to be in default, plus, as liquidated damages for loss of a bargain and not as a penalty an amount equal to the Casualty Value of the Equipment then subject to this Lease, computed as of the Basic Rent Date following the date on which the Lessor has declared this Lease to be in default. Following the return of the Equipment to the Lessor pursuant to this paragraph (2), the Lessor shall proceed to sell the Equipment in such manner as it shall deem appropriate. The proceeds of such sale shall be applied by the Lessor (A) first, to all costs, charges and expenses, including reasonable legal fees and disbursements, incurred by the Lessor as a result of the default and the exercise of its remedies with respect thereto, and (B) second, to reimburse the Lessee for the Casualty Value to the extent previously paid by the Lessee as liquidated damages. Any surplus remaining thereafter shall be retained by the Lessor. To the extent that the Casualty Value has not been previously paid, the Lessee shall forthwith pay to the

Lessor the sum of (i) the amount by which (X) the sum of (a) the Casualty Value thereof, and (b) the amount payable under Clause (A) of the preceding sentence, exceeds (Y) the sale price of the Equipment, and (ii) interest at the Overdue Rate on the full amount of the Casualty Value, computed from the date the Casualty Value is payable hereunder until such Casualty Value is paid by the Lessee.

(b) The Lessee shall be liable for all costs, charges and expenses, including reasonable legal fees and disbursements, incurred by the Lessor by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto.

(c) No remedy referred to herein is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to the Lessor at law or in equity. No express or implied waiver by the Lessor of any default or Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent default or Event of Default. The failure or delay of the Lessor in exercising any rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies and any single or partial exercise of any particular right by the Lessor shall not exhaust the same or constitute a waiver of any other right provided herein.



SECTION 19. Performance by Permitted Sublessees.

Without limiting the responsibility of the Lessee to comply with its obligations provided herein or the responsibility of the Guarantor to perform the undertakings of the Lessee provided for herein in the event the Lessee shall fail to do so, it is hereby understood and agreed that in the event the Railroad or any other sublessee under Permitted Subleases shall perform one or more of the obligations of the Lessee provided for herein, such performance shall constitute compliance by the Lessee with such obligation and no Event of Default shall result from the full and complete performance of such obligation by the Railroad or any other such sublessee in lieu of such performance by the Lessee.

20. Collateral Assignment by Lessee of Permitted Subleases.

20.1. Assignment. As collateral security for the payment of any and all of the obligations and liabilities of the Lessee due hereunder, the Lessee does hereby grant a security interest in and assigns to the Lessor all of its right, title and interest which it has acquired or may have acquired under and pursuant to each and all Permitted Subleases as and only to the extent that the Permitted Subleases relate to the Equipment arising from, by virtue of, or in connection with, the Equipment, whether now existing or hereafter entered into, including, without limitation, the SubLease any and all extensions and renewals thereof or of any other Permitted Subleases as and only to the extent that the other Permitted Subleases relate to the

Equipment, including the right to any and all sums and moneys payable to the Lessee pursuant thereto or to any other Permitted Subleases and any and all rights of the Lessee to receive said sums and moneys; provided, however, that so long as the Lessee shall not be in default hereunder, it is understood and agreed that (i) the Lessee shall be entitled to take any action upon a default under any Permitted Subleases and to have all sums and moneys recovered held by the Lessor or any assignee applied to the payment of any and all of the Lessee's obligations under this Lease, but no such sums and moneys shall be collected prior to the due date thereof, and (ii) the Lessee may consent to the amendment of any Permitted Subleases or waive its rights thereunder without the prior written consent of the Lessor and any assignee thereof but only so long as any such amendment or waiver will not reduce the amount of Rent payable under such Permitted Subleases.

20.2. Further Assignment. The Lessee acknowledges and agrees that (i) all rights and interests of the Lessor pursuant to this Section 20 may be assigned by the Lessor to the Lender and any assignee, and (ii) the assignment provided for in this Section 20 shall not in any way obligate the Lessor or any of its successors or assigns to perform or satisfy any of the obligations or liabilities of the Lessee under any of such Permitted Subleases.

20.3. Power of Attorney. Subject to the limitations contained in this Section 20 (including without limitation the rights of the Lessee under clauses (i) and (ii) of Section 20.1

hereof), the Lessee hereby irrevocably constitutes and appoints the Lessor its true and lawful attorney with full power of substitution for it in its name and stead to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all sums or properties which may be or become due, payable or distributable to and in respect of the interests assigned under this Section 20, with full power to settle, adjust or compromise any claim thereof or therefor as fully as the Lessee could itself do and to endorse the name of the Lessee on all commercial paper given in payment or part payment of and all documents of satisfaction, discharge or receipt required or requested in connection therewith and in its discretion, to file any claim, to take any other action or proceeding, either in its name or name of the Lessee or otherwise, which the Lessor may deem necessary or appropriate to collect or otherwise realize upon any and all interest assigned hereunder, or which may be necessary or appropriate to protect and reserve the right, title and interest of the Lessor in and to the interests assigned under this Section 20 and the security intended to be afforded hereby.

20.4. Rights under Uniform Commercial Code. Upon the occurrence of any Event of Default under this Lease, the Lessor shall, in addition to all other rights and remedies provided for herein, have in connection with the assignment provided for in this Section 20, all the rights of a secured party under the Uniform Commercial Code of Pennsylvania (regardless of whether such Code is the law of the jurisdiction where the rights or

remedies are asserted).

20.5. Further Assurance. Without limiting the foregoing, the Lessee hereby further covenants that it will, upon the written request of the Lessor execute and deliver such further instruments and do and perform such other acts and things as the Lessor or its assigns may deem necessary or appropriate to effectively invest in and secure to the Lessor and its assigns the interests assigned pursuant to this Section 20 or other rights or interests due or hereafter to become due.

20.6. Application of Moneys. All distributions and payments to the Lessor shall be applied by the Lessor to the payment and reduction of the obligations and liabilities of the Lessee under this Lease and in accordance with the terms and provisions of the Security Agreement.

20.7. Duration. The satisfaction or discharge of any part of the obligations or liabilities of the Lessee under this Lease shall not in any way satisfy or discharge the assignment provided for in this Section 20, but such assignment shall remain in full force and effect so long as any amount remains unpaid on any such obligations or liabilities.

#### SECTION 21. Notices.

All communications and notices provided for herein shall be in writing and shall become effective when deposited in the United States mail, with proper postage for first-class mail prepaid, addressed

(a) if to Lessor at:

Michigan National Leasing Corporation  
38200 West 10 Mile Road  
Farmington Hills, Michigan 48024  
Attention: Richard Zamojski  
Assistant Vice President

(b) if to Lessee at:

633 Battery Street  
San Francisco, California 94111  
Attention: Vice President

with copies to the Guarantor at the same address.

SECTION 22. Amendments and Miscellaneous.

(a) The terms of this Lease shall not be waived, altered, modified, amended, supplemented or terminated in any manner whatsoever except by written instrument signed by the Lessor and the Lessee; provided that no such waiver, alteration, modification, amendment or supplement shall make any change, and no termination shall be made, which is prohibited by the Security Agreement or any Supplement.

(b) This Lease, including all agreements, covenants, representations and warranties, shall be binding upon and insure to the benefit of (1) the Lessor and its successors, assigns, agents, servants and personal representatives, and, where the context so requires, the Lender, as assignee and secured party, and the successors, assigns, agents, servants and personal representatives of the Lender as assignee and secured party, and (2) the Lessee and its successors and, to the extent permitted hereby, assigns. With respect to the provisions of Sections 6,

8, 13 and 15 hereof, the Lender as assignee and secured party, any holder of obligations of the Lessor issued in connection with this Lease, and the successors, assigns, agents, servants and personal representatives of the foregoing shall each be indemnified thereunder.

(c) All agreements, indemnifications, covenants, representations and warranties contained in this Lease or in any document or certificate delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Lease and the expiration or other termination of this Lease.

(d) Any provision of this Lease which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the Lessee hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect.

(e) This Lease shall constitute an agreement of lease and nothing herein shall be construed as conveying to the Lessee any right, title or interest in or to the Equipment, except as lessee only.

(f) The single executed original of this Lease marked "Original" shall be the "Original" and all other counterparts hereof shall be marked and be "Duplicates." To the extent that this Lease constitutes chattel paper, as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction, no security interest in this Lease may be created through the transfer or possession of any counterpart other than the "Original."

(g) This Lease shall be construed in accordance with, and shall be governed by, the laws of the Commonwealth of Pennsylvania.

(h) Section headings are for convenience only and shall not be construed as part of this Lease.

IN WITNESS WHEREOF, the parties hereto have each caused this Lease to be duly executed by their respective officers thereunto duly authorized.

LESSOR:

MICHIGAN NATIONAL LEASING  
CORPORATION

By *Richard J. Gensh*  
its *Asst. Vice President*

LESSEE:

UNITED STATES LEASE FINANCING, INC.

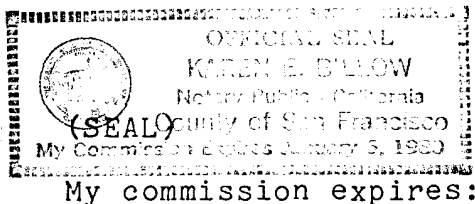
By *[Signature]*  
its **Vice-President**

STATE OF CALIFORNIA )

) SS

CITY AND COUNTY OF SAN FRANCISCO )

On this 4<sup>th</sup> day of May, 1978, before me personally appeared Marvin L. Ferenstein, to me personally known, who being by me duly sworn, says that he is the Vice President of UNITED STATES LEASE FINANCING, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Karen E. Bellow

STATE OF MICHIGAN )

) SS

COUNTY OF OAKLAND )

On this 5<sup>th</sup> day of May, 1978, before me personally appeared Robert Zarnoski, to me personally known, who being by me duly sworn, says that he is the Asst. Vice President of MICHIGAN NATIONAL LEASING CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Phyllis E. White

(SEAL)

My commission expires:

PHYLLIS E. WHITE  
Notary Public, Wayne County, Michigan  
Acting in Oakland County, Michigan  
My Commission Expires March 13, 1979



EXHIBIT A  
to  
EQUIPMENT LEASE

DESCRIPTION OF EQUIPMENT

<u>Quantity</u>	<u>Description</u>	<u>Estimated Lessor's Cost (Per Item)</u>
4	Hydra Spikers Manufactured by Rexnord, Inc.	\$ 47,500 each
6	Adzers Model CZ with (2) 17" cutter heads Manufactured by Rexnord, Inc.	17,325 each
15	30,000 # Push Carts Manufactured by Railway Products Division Marmon, Inc.	2,990 each
2	Anchor carts, Model RADCG1 Manufactured by Railway Products Division Marmon, Inc.	6,987 each
2	Spike Carts, Model SDCG1 Manufactured by Railway Products Division Marmon, Inc.	9,290 each
100	Rotary Screw Compressors Model 185 GPQGM Manufactured by Sullair Industrial	5,308 each
9	Tie Handlers, Model 2170 Manufactured by Railway Track Work Co.	22,102 each
6	Spike Pullers, Model BF mechanical Spike complete with 16" wheels Manufactured by Rexnord, Inc.	18,600 each
3	Rail Guage, self propelled Nordberg Dun Rite gaging machines with pregager hydraulically propelled from Dun Rite Frame with electric start Manufactured by Rexnord, Inc.	26,193 each
1	Track Yard Cleaner with Portable ramps and winch	149,989 each
7	Tie Plug Inserters, Model W104, Series D, Manufactured by Fairmont Railway Motors, Inc.	8,864 each

10	Rail Lifters Model W86, Series F Manufactured by Fairmont Railway Motors, Inc.	4,367 each
10	Scarifier Inserters Model W87, Series E, Manufactured by Fairmont Railway Motors, Inc.	36,216 each
7	Tie Cutters Model W114, Series B Manufactured by Fairmont Railway Motors, Inc.	48,925 each
4	Dual Tie Plug Inserters, Model W104 Series DZ28, Manufactured by Fairmont Railway Motors, Inc.	11,151 each
2	LeRoi, Model 600 SDU, CFM screw type air compressors including tool box and 2 hooks to loop hose on unit powered by GM 6-V 53N Diesel Engines Supplied by Donald J. Hogan & Co.	56,250 each
11	Hi Speed Production Tampers 16 tool Model ES-TD-AG Mark II Manufactured by Can-Ron Rail Group	120,000 each
9	Switch tampers, Model EAS Mark I Manufactured by Can-Ron Rail Group	64,000 each
25	Push Trucks 10000# Q10WAB Manufactured by Quaker RR Equipment Corp.	860 each
4	15-ton Hi Rail Truck Cranes with 30" standard lattice boom Model 32R with Model LG carrier Manufactured by Little Giant	110,650 each
1	Dual Adzar Model 38-1-1 Manufactured by Kershaw Manufacturing Co.	143,326 each
1	Ballast Cribber Model 17-1-1 Dual Rail Laying Oper. Manufactured by Kershaw Manufacturing Co.	76,984 each
2	Tie Plate Removers w/deuta-diesel engines Manufactured by Holley Engineering Co., Inc.	40,875 each
4	On track cranes 12 1/2 ton capacity Model 40 w/40" Magnet (Copper), Hoist block and 3/4 yard bucket	175,000 each

Manufactured by Burro Crane, Inc.

6	Crawler cranes, 10 1/2 ton capacity Model C-32 w/magnet and 1/2 yard clam shell bucket Manufactured by Little Giant	69,300 each
15	Ballast Regulators, Model PBR 103 Manufactured by Plassar American Corp.	49,000 each
1	Tie End Sweep with Center Line Scriber, Manufactured by RMC Division, Portec, Inc.	28,100 each
2	Brush Cutters, Model HD28, Manufactured by RMC Division, Portec, Inc.	82,636 each
4	Rough terraine cranes Model =30 CWRH with 2 west coast rearview mirrors, steering lock (rear), turntable slewing lock, heavy duty "Goodrich" brakes, defroster, GMG 6V-53N50 engine w/transmission, automatic engine shutdown, Fairlead rollers for Aux. boom line and transmission warning light Manufactured by Pettibone	103,474 each
4	Rail Heaters, Propane type Model Dual CWR Heater, Manufactured by Teleweld, Inc.	15,500 each

(a) Equipment shall include such additional quantities of Items of Equipment specifically described above as the Lessee shall include in a Certificate of Acceptance; provided, however, that in no event shall the maximum Lessor's Cost of \$4,798,000 be exceeded without the express approval of each affected party.

(b) Upon the prior written consent of the Lessor, which consent shall not be unreasonably withheld, additional equipment not specifically described above may be included as Equipment for the purposes hereof; provided, however, that in no event shall the maximum Lessor's Cost of \$4,798,000 be exceeded without the express approval of each affected party; and provided, further, that no such additional equipment shall be or become an Item of Equipment unless and until the Lessee shall have taken or caused to be taken all such action as may be required under and pursuant to the Security Agreement to perfect, protect and preserve the security interest granted by the Lessor under and pursuant to the Security Agreement.

EXHIBIT B TO  
EQUIPMENT LEASE

CERTIFICATE OF ACCEPTANCE NO. \_\_\_\_\_

Equipment Lease dated as of May 1, 1978 (the Lease) between MICHIGAN NATIONAL LEASING CORPORATION, as lessor (the Lessor) and UNITED STATES LEASE FINANCING, INC., as lessee (the Lessee).

1. Items of Equipment

The Lessee hereby certifies that the the Items of Equipment set forth and described in Schedule 1 hereto (which Schedule includes the amount of the Lessor's Cost of each such Item), have been delivered to the location indicated below, tested and inspected by the Lessee, found to be in good order and accepted as Items of Equipment under the Lease, all on the date indicated below:

Jurisdiction in Which  
Such Items are Accepted:

Date of Acceptance:

2. Representations by the Lessee

The Lessee hereby represents and warrants to the Lessor and the Lender as such terms are defined in the Lease, that on the Date of Acceptance with respect to each Item of Equipment:

(1) the representations and warranties of the Lessee set forth in the Participation Agreement, as such term is defined in the Lease, are true and correct in all material respects on and as of such date as though made on and as of such date;

(2) the Lessee has satisfied or complied with all requirements set forth in the Participation Agreement and in the Lease to be satisfied or complied with on or prior to such date;

(3) no Event of Default under the Lease or event which, with the giving of notice or the lapse of time, or both, would become such an Event of Default has occurred and is continuing; and

(4) the Lessee has obtained, and there are in full force and effect, such insurance policies with respect to such Item of Equipment required to be obtained under the terms of the Lease.

UNITED STATES LEASE  
FINANCING, INC.  
as Lessee

By \_\_\_\_\_  
its

Dated: \_\_\_\_\_

Items of Equipment described above  
hereby accepted on the Date of  
Acceptance set forth in paragraph 1  
above on behalf of the Lessor:  
MICHIGAN NATIONAL LEASING CORPORATION  
as Lessor

By \_\_\_\_\_  
Authorized Representative

EXHIBIT B TO  
EQUIPMENT LEASE

SCHEDULE 1 TO  
CERTIFICATE OF ACCEPTANCE NO. \_\_\_\_\_

Description of Equipment and Lessor's Cost

Description\*

Lessor's Cost

\*(include Serial Number, name of manufacturer  
and all other important descriptive matters,  
list spare parts and accessories)

EXHIBIT C

First Delivery Date: May 10, 1978.

Final Delivery Date: August 17, 1978.

Rent Commencement Date: August 17, 1978.

Expiration Date: August 17, 1985.

Basic Lease Rate Factor: 7.32777%

Interim Rent Factor: .014580%

First Basic Rent Date: February 17, 1979.

Basic Rent Dates: Each August 17 and February 17.

Last Basic Rent Date: August 17, 1985.

Overdue Rate: 12%

Return of Equipment: Any location in the continental United States requested by the Lessor; provided, however, that the Lessee shall not be obligated to incur any expenses in excess of the expense of returning the Equipment to the Lessor in Chicago, Illinois.

Lease Extension Periods: Five (5) one-year terms.

Equipment Marking: Property of Michigan National Leasing Corporation as Owner; and subject to a security interest.

Investment Credit: 10% of Lessor's Cost.

Net Salvage Value: An amount equal to 10% of the Lessor's Cost of the Equipment.

Depreciation Method: Double declining balance method, switching, when most advantageous to Lessor, to the straight-line method without the prior consent of the Commissioner of Internal Revenue, facts and circumstances method and taking into account the Net Salvage Value of the Equipment, or such other method as Lessor shall utilize in preparing its tax returns.

EXHIBIT D TO  
EQUIPMENT LEASE

EXHIBIT D

The Casualty Value of each Item of Equipment shall be the percentage of Lessor's Cost of such Item set forth opposite the applicable rent payment:

Rent Commencement Date and <u>Rent Payment Number</u>		<u>Casualty Value</u>
8/17/78		102.652
2/17/79	(1)	100.104
8/17/79	(2)	96.990
2/17/80	(3)	93.483
8/17/80	(4)	89.663
2/17/81	(5)	85.551
8/17/81	(6)	74.786
2/17/82	(7)	70.216
8/17/82	(8)	65.427
2/17/83	(9)	60.451
8/17/83	(10)	48.884
2/17/84	(11)	43.581
8/17/84	(12)	38.126
2/17/85	(13)	32.413
8/17/85	(14)	20.000
Thereafter		

In the event the Basic Lease Rate Factor is increased, pursuant to the tax indemnification provisions set forth in Section 15 of the Lease or pursuant to the Participation Agreement, Casualty Values will be adjusted accordingly.



# Interstate Commerce Commission

Washington, D.C. 20423

5/10/78


OFFICE OF THE SECRETARY

Joseph T. Rowan  
Consolidated Rail Corp.  
Six Penn Center Plaza  
Phila. Pa. 19104

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on **5/10/78** at **9:50am**, and assigned recordation number(s) **9369, 9369-A & 9369-B**

Sincerely yours,

  
H.G. Homme, Jr.  
Acting Secretary

Enclosure(s)

SE-30-T  
(6/77)